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ABSTRACT

This brief updates the Urban Institute's "Income Support and Social Services for Low-Income People in California," an overview of benefits and services in California in 1997, just before the federal Personal Responsibility and Work Opportunity Reconciliation Act of 1996 was enacted. Since 1997, various states have made changes across the spectrum of social safety net services. This update concentrates on several of these services: Temporary Assistance for Needy Families (TANF) benefits and employment services, workforce development, child care, and child welfare. It begins with a profile of California's population, economy, and politics, then reviews California's income support and social services safety net. The next three sections describe in detail current policies and recent changes in the areas of TANF and employment and training, child care, and child welfare. The final section provides conclusions about changes in these three social welfare policy areas. Information in the brief comes from interviews with program staff in Alameda, Los Angeles, and San Diego counties; interviews with state-level officials; interviews with child welfare administrators in 15 other counties; and focus groups with participants and nonparticipants in California's Work Opportunity and Responsibility to Kids welfare reform program. (SM)

Assessing the New Federalism

An Urban Institute Program to Assess Changing Social Policies

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Recent Changes in California Welfare and Work, Child Care, and Child Welfare Systems

Deborah Montgomery, Laura Kaye, Rob Geen, and Karin Martinson

CalWORKs continues and strengthens California's earlier emphasis on "work first" and community-based service coordination and collaboration.

Introduction

In January 1998, California began its welfare reform program, "California Work Opportunity and Responsibility to Kids" (CalWORKs), after becoming one of the last states to pass legislation (in August 1997) implementing the reforms specified in the federal Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (PRWORA). Months of contentious debate between California's Republican governor at that time, Democratic leaders in the state legislature (who also disagreed among themselves), and competing proposals from the counties, advocacy groups, the Legislative Analyst's Office, and the governor delayed the passage of CalWORKs. Local planning, however, started long before the state enacted CalWORKs. California has an extensive history of being at the forefront of efforts to incorporate the concepts of mutual obligation (i.e., imposing work requirements) and "making work pay" into its welfare programs, and the state's early experiences and pilot programs in local areas influenced federal welfare legislation in certain areas.

This brief updates the Urban Institute report *Income Support and Social Services for Low-Income People in California*, an overview of benefits and services in the state in 1997, just before PRWORA was enacted. Since 1997 California and the other states in the *Assessing the New Federalism* (ANF) study have made many changes across the spectrum of social safety net services. This update concentrates on a handful of these services: Temporary Assistance for Needy Families (TANF) benefits and employment services, workforce development, child care, and child welfare. The brief begins with a short profile of California's population, economy, and politics, followed by an overview of the income support and social services safety net within the state. The next three sections offer a more detailed description of current policies and recent changes in the areas of TANF and employment and training, child care, and child welfare. The final section offers concluding statements about changes in these three social welfare policy areas.

Information presented in this brief comes mainly from interviews with program staff in Alameda, Los Angeles, and San Diego Counties. Additional interviews were conducted with various state-level officials responsible for CalWORKs, workforce development, child care, and child welfare to obtain an overview of the system statewide. In addition, focus groups were conducted with CalWORKs recipients and non-CalWORKs families receiving child care subsidies in the three focal counties, and telephone interviews were completed with child welfare administrators in 15 additional counties.[1] Interview and focus group information was supplemented with reports and policy documents produced by other research organizations and state and local agencies.

Researchers visited California three times during the period from October 1999 through June 2000. These included visits focused on child care in October and November 1999, child welfare in November 1999, and CalWORKs and workforce development in May and June 2000. Telephone interviews with child welfare respondents from 15 additional counties were conducted from February to March 2000.

Social and Political Context

Social and Economic Conditions

Table 1 provides an overview of California's characteristics on a number of social and economic indicators and compares these figures with national averages. In 1999, California's population of 33.1 million made it the largest state in the nation, with more than 12 percent of the U.S. population. The state's population included 31.6 percent Hispanics, more than two and one-half times the percentage of Hispanics in the United States as a whole. Hispanics are the fastest growing population, and will soon be the largest ethnic group in California. The state had a somewhat smaller percentage of blacks (7.5 percent) than the United States as a whole (12.8 percent). More than 96 percent of Californians resided in metropolitan areas, which was considerably greater than the national average of 80 percent residing in metropolitan areas. The metropolitan area of Los Angeles accounted for almost half of California's population and was larger than all but two states. Although Los Angeles and the San Francisco Bay area have traditionally been the political and economic powerhouses in the state, the vast Central Valley is now the fastest growing population region in California, with the mega-suburbs of Orange County and the Inland Empire (Riverside and San Bernardino Counties) also rapidly expanding.[2] During the period from 1990 to 1999, California's population grew by 11.2 percent, while the national population growth was 9.6 percent. The birth rates among teens age 15–19 and females age 15–44 were slightly higher than those of the United States as a whole, while the percentage of births to unmarried women in California did not differ from the national average.

California has by far the largest number of noncitizen immigrants of any state, with more than one-third of the nation's total. As of 1998, 16.6 percent of California's residents were noncitizen immigrants, compared with 6.3 percent for the nation as a whole. California also has the largest undocumented immigrant population of any state. Its estimated 2 million illegal immigrants make up 40 percent of the U.S. total.[3] Forty-three percent of the foreign-born in California are from Mexico, more than double the share for all other states.[4] The large number of immigrants coming to California has helped make it one of the most ethnically diverse states.

With regard to economic characteristics, California's per capita income in 1999 ($29,910) was slightly higher than the national average ($28,542) and was growing at a rate that was approximately one percentage point higher than the national average during 1995–1999. In 1999, California's economy was characterized by approximately the same percentages of total jobs in manufacturing, the service sector, and the public sector as for the country as a whole. The unemployment rate of 5.2 percent was slightly higher than the national rate of 4.2 percent, but the state rate represented a decline from 7.2 percent in 1996. Poverty rates among adults (14.8 percent) and children (20.9 percent) were each more than three percentage points higher than the national averages, but represented declines from prior years. Between 1996 and 1998, child poverty fell at a rate almost double that of the nation as a whole, but while the percentage of adults in poverty also fell, the decline was less than that for the nation as a whole for this period. The percentages of children living in one- and two-parent families were approximately the same as those for the United States as a whole.

With the election of a Democrat, Gray Davis, as governor in 1998, following the two consecutive terms of Republican Governor Pete Wilson, Democrats now solidly dominate state government. During our first round of site visits to California, while the governor was Republican, the Democrats had a majority in both houses of the state legislature. In 1999, the governor was a Democrat and the party increased its majority by two and three seats, respectively, in the senate and the house.

TABLE 1. *California State Characteristics*

	California	United States
Population Characteristics		
Population (1999)[a] (in thousands)	33,145	272,690
Percent under age 18 (1999)[b]	26.9%	25.7%
Percent Hispanic (1999)[c]	31.6%	11.5%
Percent black (1999)[d]	7.5%	12.8%
Percent noncitizen immigrant (1998)[e]	16.6%	6.3%
Percent nonmetropolitan (1996)[f]	3.4%	20.1%
Percent change in population (1990–1999)[g]	11.2%	9.6%
Percent births to unmarried women, age 15–44 (1998)[h]	32.8%	32.8%
Percent births to unmarried teens, age 15–19 (1997)	8.6%	9.7%
Birth rates (births per 1,000) females age 15–44 (1998)[h]	16.0	14.6
Birth rates (births per 1,000) females age 15–19 (1998)[h]	53.5	51.1
State Economic Characteristics		
Per capita income (1999)[i]	$29,910	$28,542
Percent change per capita income (1995–1999)[j]	11.7%	10.8%
Unemployment rate (1999)[k]	5.2%	4.2%
Employment rate (1999)[l]	78.7%	81.5%
Percent jobs in manufacturing (1998)[m]	14.2%	14.8%
Percent jobs in service sector (1998)[m]	31.2%	29.9%
Percent jobs in public sector (1998)[m]	16.0%	15.8%
Family Profile		
Percent children living in two-parent families (1999)[n]	63.2%	63.6%
Percent children living in one-parent families (1999)[n]	25.3%	24.8%
Percent children in poverty (1998)[o]*	20.9%	17.5%
Percent change children in poverty (1996–1998)[o]*	–27.4%	–15.0%
Percent adults in poverty (1998)[o]*	14.8%	11.2%
Percent change adults in poverty (1996–1998)[o]*	–7.5%	–10.4%
Political		
Governor's affiliation (1999)[p]	Democrat	
Party composition of senate (1999)[q]	25D-15R	
Party composition of house (1999)[q]	46D-32R-1I-1V	

*1998 national and state, adult and child poverty estimates show statistically significant decreases from the 1996 estimates at the 0.10 confidence level, calculated by the *Assessing the New Federalism* project, The Urban Institute.
Table 1 notes begin on page 28.

Following California's economic downturn in the early 1990s, an influx of funds for welfare-related activities became available with the enactment of the CalWORKs legislation of 1997. Health and human services' share of total state spending in California (excluding federal funds) equaled $17.1 billion in 1999–2000, representing approximately 21 percent of the total general fund budget and an increase of 4.8 percent over the previous year. For the 1990–2000 decade as a whole, California slowly turned around from its long and deep recession of the early 1990s, as general fund spending grew somewhat more than inflation and population growth—roughly 1.5 percent annually.[5] Between 1996–1997 and 2000–2001, state child care spending tripled.[6] In 1999–2000, state spending on child care and development programs included $819.8 million in general fund allocations, with an additional $620.4 million of federal funds. The largest share of these state and federal child care funds has been allocated to families receiving CalWORKs or transitioning from welfare to work. Overall, county welfare and child care agencies have experienced a major expansion in program funds for TANF recipients since the onset of CalWORKs, signaling a reversal from the recession and budget crises that caused major reductions in discretionary and other program spending earlier in the decade.

Understanding California's fiscal situation requires an understanding of several key state propositions—constitutional or statutory amendments passed by public referendum—that govern taxing and spending. In 1978, voters approved Proposition 13, a defining feature of California's budgetary and political landscape. Proposition 13 constrained state and local governments' ability to raise revenue by limiting property tax rates and assessed values and by requiring either a two-thirds vote in the state legislature or a referendum to increase taxes. It also made the state, rather than the local government, responsible for allocating property tax revenues between competing jurisdictions within a county. A second landmark initiative in 1988, Proposition 98, established a minimum state funding guarantee (40 percent of the state budget) for K–12 schools, community colleges, and child care and development programs, severely limiting the state's flexibility in spending for areas outside education.[7] Proposition 98 was intended to create a floor for education funding, but in fact it has acted as a ceiling on all other spending. As a result of Proposition 98, for example, $2.2 billion of the $3.4 billion in additional general fund revenue available in 1996–97 and 1997–98 must be spent on education programs.[8]

California's Social Safety Net

Table 2 presents data on the social safety net in California and how it compares with summary data for the United States. California's maximum monthly welfare benefit for a family of three without other income has changed little over the past four years, from $596 in 1996 to $626 in 2000.[9] Nonetheless, these benefits are considerably higher than the national median, which has risen slightly from $415 in 1996 to $421 in 2000. California's ratio of children receiving welfare to all poor children, a rough measure of welfare coverage, was substantially higher than the national figure in both 1996 and 1998. In addition, the ratio of children receiving welfare to all poor children has risen in California, from 67.8 percent in 1996 to 76.8 percent in 1998, whereas nationally, this measure has decreased from 59.3 percent to 49.9 percent for the same period. While the percentage of children without health insurance has not changed nationwide between 1997 and 1999 (at 12.2 and 12.5 percent), it remained at the overall higher level of 14.0 percent in California during the same period. Although the income cutoff for children's eligibility for the state children's health insurance program was lower in California than for the nation as a whole in 1996 (105.5 percent of the federal poverty level [FPL] in California compared with 123.8 percent of FPL nationally), it rose considerably and was substantially higher than the national cutoff level by 2000 (250.0 percent of FPL in California compared with 205.1 percent of FPL nationally). The income cutoff for children's eligibility for subsidized child care (as a percent of state median income [SMI] and FPL) in California rose from 69 percent of SMI (225 percent of FPL) in 1998 to 75 percent of SMI (244 percent of FPL) in 1999, compared with the national

TABLE 2. *The Safety Net in California, in National Context*

	California	United States
Welfare Benefits—Maximum Monthly Benefit (Family of Three, No Income)		
1996 (AFDC)[a]	$596	Median: $415
1998 (TANF)[a]	$565	Median: $421
2000 (TANF)[a]	$626	Median: $421
Ratio of Children Receiving TANF to All Poor Children		
1996 (AFDC)[b]	67.8%	59.3%
1998 (TANF)[b]	76.8%	49.9%
Percent of All Children without Health Insurance		
1997[c]	14.0%	12.2%
1999[c]	14.0%	12.5%
Income Cutoff for Children's Eligibility for Medicaid/State Children's Health Insurance Program (Percent of Federal Poverty Level)		
1996[d,e]	105.5%	123.8%
1998[d,f]	202.6%	178.4%
2000[d,g]	250.0%	205.1%
Income Cutoff for Children's Eligibility for Child Care Subsidy (Percent of State Median Income/Federal Poverty Level)		
1998 (January)[h]	69% / 225%	57% / 182%
1999 (June)[h]	75% / 244%	59% / 178%

Table 2 notes begin on page 29.

figures of 57 percent of SMI (182 percent of FPL in 1998) and 59 percent of SMI (178 percent of FPL) in 1999.

TANF caseloads in California declined dramatically between 1995 and 1999, from a high of 925,585 families to 512,351 families by the end of 1999, slightly more than two years after the CalWORKs legislation was signed in August 1997. This represents a decline of almost 47 percent statewide over approximately four years. Similar declines occurred in all three counties studied. Los Angeles County caseloads decreased from 876,717 persons in January 1996 to 599,169 persons in January 2000, a drop of approximately 32 percent over four years. San Diego County caseloads decreased from 69,000 families in August 1996 to 31,000 families in May 2000, a reduction of approximately 55 percent over almost four years. Alameda County caseloads decreased from 29,716 cases in December 1997 to 20,553 cases in June 2000, a reduction of approximately 31 percent over 30 months.

Welfare and Work

The California Department of Social Services (CDSS) opted to continue the Greater Avenues for Independence (GAIN) programs as a CalWORKS component. In light of the positive name recognition of the GAIN program, CDSS retained the name "GAIN" in place of the CalWORKS Welfare-to-Work (WtW) program. Once the state legislation passed, counties had to submit their own plans by January 1998, obtain approval for them, and begin their CalWORKS program no later than April 1998. The California GAIN program, which was used by only a limited portion of the welfare population, was first introduced in 1986 primarily as an education and training program (but with variation across the counties). It eventually developed into a more work-oriented program in the mid-1990s. While the program elements of CalWORKS are more comprehensive and go far beyond the focus of the GAIN program, CalWORKS does continue the work emphasis that characterized the GAIN program in the mid-1990s.

CalWORKs Policy and Program Emphasis

CalWORKs stresses the temporary nature of assistance and takes a strong "work first" approach. New CalWORKs recipients are limited to the 60-month time limit for cash assistance. After being approved for cash assistance, nonexempt CalWORKs adults have an 18- or 24-month period during which they can receive welfare-to-work services to help find unsubsidized employment. After fulfilling the initial four-week job search requirement, able-bodied recipients must participate in work or work-related activities for 32 hours per week (35 hours for two-parent families). CalWORKs participants who were receiving aid prior to April 1, 1998, are given a 24-month welfare-to-work limit. Participants whose aid was approved after April 1, 1998, have an 18-month welfare-to-work time limit. However, the 18-month clock may be extended an additional 6 months at the county's discretion. This 18- or 24-month period of work activities is what California calls its welfare-to-work program, and the 18- or 24-month time clock does not start ticking until a recipient signs his or her welfare-to-work employment plan.[10]

The required hours of welfare-to-work participation have increased progressively since CalWORKs began. The CalWORKs legislation called for counties to enroll single-parent families in activities for 20 hours per week beginning in January 1998, 26 hours per week beginning in July 1998, and 32 hours per week beginning in July 1999. At county discretion, however, recipients could be required to participate in up to 32 hours per week of work activities before July 1999.

Under CalWORKs, counties can also determine the work activities in which recipients participate. The three counties we visited offer a wide range of activities that can count toward the work requirement. Work, education, and training activities include (1) unsubsidized employment, (2) subsidized private- and public-sector employment, (3) work experience, (4) on-the-job training, (5) vocational education and training, (6) education directly related to employment, (7) adult basic education, (8) work study, (9) self-employment, (10) community service, (11) job search and job readiness assistance, (12) job skills training directly related to employment, and (13) supported work. Recipients with barriers to employment may participate in counseling or other services for substance abuse, mental health, and domestic violence.

The CalWORKs program also encourages work through a modified earned income disregard for recipients working full time, which is slightly more generous than the disregard under the old Aid to Families with Dependent Children (AFDC) program.[11] After the 18- or 24-month period of time-limited job training and education has elapsed, participants must participate in community service to continue receiving cash assistance and other supportive services. An individual may participate in community service activities until he or she has received aid for a total of 60 months. Recipients must participate in community service or unsubsidized employment to receive assistance up to the federal time limit.

Local CalWORKs Focus. A distinctive feature of California's TANF plan is the discretion it gives to counties. Federal and state administrative and employment-related funds are provided to counties through a block grant. In addition, counties designed their own CalWORKs plans beyond the policies noted above. The devolution of this kind of decisionmaking authority to the counties predates federal welfare reform in California, but is more pronounced under CalWORKs. Counties have the option to provide a lump-sum diversion payment and can determine program elements such as good cause for nonparticipation, allowable work-related activities, duration of payments, nature of community service jobs, and youngest child exemption (3 months to 12 months).[12]

One area of variation among the county-determined program elements for our three study sites is the youngest child exemption. San Diego County has the lowest youngest child exemption. CalWORKs recipients there are only exempt until their youngest child turns three months old, or are exempt for six months for their oldest child. In Los Angeles County, recipients are not required to participate until their youngest child is 12 months old. Alameda County allows a 12-month exemption for the first child, and 6 months for subsequent children. This is the maximum allowed by law.

Under California's welfare legislation, counties were required to develop and submit their own CalWORKs plans to the state by January 1998. These county plans are yet another example of the devolution of policy and administrative authority under CalWORKs. Of particular note are the sections detailing how counties will handle significant service delivery issues. For example, counties were required to outline how they would collaborate with public and private agencies to provide training and supportive services. In addition, counties were to describe how mental health, substance abuse, and domestic violence services would be provided, including any collaborative efforts with other agencies.

Despite the flexibility counties had in designing their CalWORKs programs, a certain uniformity exists in the sequencing of recipients' engagement with the program. Nonexempt CalWORKs recipients are initially referred to job search. If job search is unsuccessful, recipients are assessed. This assessment is followed by the development of a CalWORKs welfare-to-work plan and participation in appropriate activities. After 18 or 24 months, recipients needing additional cash aid must participate in community service or unsubsidized employment until they reach their five-year time limit on aid.

Eligibility. The eligibility requirements for the CalWORKs program changed very little from the AFDC program. The state did eliminate the "look back" provision whereby two-parent families had to show a prior connection to the labor force in order to qualify for assistance. CalWORKs also changed the resource limits to comply with those of the federal Food Stamp program (this increased the vehicle asset limit from $1,500 to $4,650).[13]

The CalWORKs program has very few up-front eligibility requirements. The application process appears to be designed to provide applicants with relevant program information through comprehensive orientations. Information regarding program application and requirements is translated into several languages, where necessary, and local offices often provide colocated services (child support, child care, domestic violence, and other supportive services). In addition, counties seem interested in ferreting out barriers to employment through barrier checklists or screenings. There is some county variation, however, in the focus of the application process. While Alameda County attempts to ensure that individuals are enrolled in all appropriate programs, San Diego County sees part of the goal of its application process as delivering a strong work-first message and diverting applicants from dependency. San Diego has a needs assessment and a "no wrong door" approach, as every applicant sees an Information and Referral worker in an attempt to determine all "self-identified" service needs. This worker then tries to connect clients with other needed services before their scheduled intake appointment.

One way in which counties can divert applicants from long-term assistance is through up-front one-time cash payments (diversion payments). California gives counties the discretion to have a lump-sum payment program. Each county may set its own dollar limit, and amounts vary with client needs. In San Diego County, applicants can receive a diversion payment for such things as rent and car repairs, for example. To be eligible for a diversion payment, the applicant must otherwise be eligible for CalWORKs but have a job or a job offer. The job or job offer does not have to make the applicant ineligible; he or she may just choose not to receive aid. Checks are often made to a third party. Alameda County has a similar diversion program, providing up to $2,000 to clients who have an emergency—such as a car repair—to avoid the need for cash assistance. Both San Diego and Alameda Counties report that few applicants have taken advantage of the diversion program. Los Angeles County was supposed to begin a diversion program in 1998, but had yet to do so at the time of our site visits.[14]

Sanctions. The state's work-first approach is softened by a relatively lenient sanction policy. California is one of the few ANF study states that does not impose a full family sanction. Rather, a sanctioned recipient's benefit is reduced by only the adult portion of the grant. Most counties issue vouchers or vendor payments for at least rent and utilities with the child portion of the grant if a family is sanctioned for three months or more. Los Angeles County, however, does not do this. In this county, when a financial sanction is imposed on a mandatory participant, he or she is excluded from the CalWORKs assistance unit.

Local CalWORKs administrators and staff are concerned by the number of families being sanctioned for nonparticipation. All three sites had efforts under way to learn more about why recipients are being sanctioned and what services they may need. In Los Angeles County, for example, a pilot was being developed for a home visiting program for sanctioned recipients. San Diego County encourages local offices to call or otherwise follow up with sanctioned recipients, and those "at risk" of sanction, even by making home visits. Alameda County has contracted with community organizations to provide outreach services to sanctioned recipients. Statewide, the average sanction rate is 6 percent.

Exemptions. The major exemptions to the work requirement (including the 18- or 24-month time limit) and to the 60-month time limit are the standard exemptions that exist for most states. These exemptions cover recipients who are disabled, who are caring for an ill or disabled family member, who are older than 60 years of age, or who are nonparent caretaker relatives. CalWORKs recipients are also exempt from the work requirement based on the age of their youngest child (between the ages of 3 months and 12 months, at

TABLE 3. Administration of Income Support and Social Services in California

Federal or generic program name	What the program is called in California	Which agency administers the program in California
TANF	California Work Opportunity and Responsibility to Kids (CalWORKS) program	California Department of Social Services (CDSS) within the Health and Human Services Agency (HHSA)
Workforce Investment Act	Workforce Investment Act	Employment Development Department within HHSA and Local Workforce Investment Areas
No Equivalent	General Assistance	Administered by the 58 counties
Food Stamps	Food Stamps	CDSS within HHSA
Medicaid	Medi-Cal	Department of Health Services within HHSA
Child Care Development Block Grant	Child Care and Development Fund	California Department of Education, Child Development Division (Stages 2 and 3 child care); and CDSS within HHSA (Stage 1 child care)
Child Welfare	Child Welfare	CDSS within HHSA; and administered by 56 local agencies

county discretion). In addition, there is an open-ended temporary exemption from work activities for "good cause," including domestic violence. There is a similarly open-ended exemption from the 60-month time limit for those incapable of participating (pursuant to county assessment).

A key exception to the federal 60-month time limit is provided through California's safety net program. The children of recipients who reach the 60-month time limit are exempt from case closure. A child-only grant will be provided in the form of cash or voucher, at county discretion. The county may also continue welfare-to-work activities for the parents of these children.

At the time of our site visits, CalWORKs recipients were just starting to reach the 18- or 24-month time limit for the welfare-to-work program. At issue in these localities was the need to develop and place recipients into community service positions so that aid could be continued up until the federal 60-month time limit.

Organization of Welfare and Work Programs

State Welfare and Work Programs. The CalWORKs program is a state-run, county-administered program. At the state level, the Health and Human Services Agency (formerly the Health and Welfare Agency) oversees both the eligibility and employment components of the CalWORKs program through its Department of Social Services (table 3). This is the same organizational structure that existed for the AFDC and GAIN programs at the time of our baseline site visit in 1997. At the county level, each county has developed its own CalWORKs plan and organizational structure for the delivery of services.

In addition to the CalWORKs program, the state Health and Human Services Agency also oversees the Employment Development Department (EDD), which administers the major workforce development programs: (1) Job Training Partnership Act (JTPA)/federal Workforce Investment Act (WIA), (2) Job Service, (3) U.S. Department of Labor WtW program, (4) CalJOBs (computer-aided job search), and (5) Unemployment Insurance. California has been developing a statewide, one-stop career center system through which employment and training programs are provided.

California's workforce development organizational structure has changed in response to the WIA requirements. Before the passage of WIA, EDD administered JTPA under the guidance of the State Job Training Coordinating Council and funds were funneled through EDD to the state's 52 Service Delivery Areas (SDAs). In 1999, the State Job Training Coordinating Council was replaced by the California Workforce Investment Board, and WIA services are now administered at the local level by Local Workforce Investment Areas (LWIAs). The LWIAs designate the one-stop operators, provide policy guidance, and oversee the job training activities within local areas.

Local Welfare and Work Structure. The following is a description of the TANF and workforce development structures in the three study counties, San Diego, Los Angeles, and Alameda.

San Diego. San Diego County's Health and Human Services Agency administers CalWORKs at the local level. In mid-1998, the Departments of Social Services, Health Services, Mental Health, and Veterans Services were brought together to form the umbrella agency Health and Human Services as part of a new "no wrong door" strategy. At the same time, San Diego County decided to shift to a six-region service delivery model with a Health and Human Services deputy director serving as a manager in each region. CalWORKs is not administered uniformly in the six regions. While eligibility is administered by Health and Human Services in all of the regions, employment case management (CalWORKs welfare-to-work) is contracted out in four of the six regions and delivered by county social workers in the other two regions. Three contractors cover the four regions; two are for-profits and one is a nonprofit, faith-based organization.

The LWIA in San Diego is the Workforce Partnership that serves both the city and county of San Diego. The Partnership is the fiscal agent for employment and training programs such as JTPA, WIA, WtW, and Summer YouthForce. The Partnership staffs the San

Diego Workforce Investment Board (WIB) and the San Diego Consortium and Policy Board, which is comprised of both city and county officials and serves as the "chief local elected official." Prior to WIA, the Partnership operated five of the six one-stop career centers in the county (the other one-stop is run by a school district). Under WIA, the five one-stops previously operated by the Partnership will be contracted out, except for one that will be retained by the Partnership to be run as a center for innovation.

Los Angeles. In Los Angeles, the CalWORKs program is administered by the Department of Public Social Services (DPSS), which also oversees the Medi-Cal, Food Stamp, and General Relief programs. CalWORKs eligibility and CalWORKs welfare-to-work services (still called GAIN) are delivered through two interrelated structures within the DPSS. These two structures are (1) the 24 main CalWORKs district offices responsible for eligibility and (2) the 7 regional GAIN offices administering employment-related services.

There are eight Local Workforce Investment Areas in Los Angeles County: the City of Los Angeles, the County of Los Angeles, the Carson/Lomita/Torrance Consortium, the Foothill E&T Consortium, Long Beach City, the SELACO South East Los Angeles Consortium, the South Bay Consortium, and the Verdugo Consortium. We visited the first two of these LWIAS.

In Los Angeles County, Community and Senior Services serves as the LWIA and the administrative arm of the WIB. The Board of Supervisors is the chief local elected official. Just prior to WIA implementation, the county of Los Angeles LWIA was the second largest LWIA/SDA in all of Los Angeles County (with the city of Los Angeles the largest) and the third largest SDA in the country. Community and Senior Services oversees all of the employment and training for the County of Los Angeles not otherwise covered by one of the other seven LWIAs. The employment and training budget has doubled since 1996–1997 with the influx of welfare programs. The County of Los Angeles LWIA has 15 one-stops, a few satellites that feed into the regular one-stops, and 8 mini-career centers exclusively for WtW, but which tie into the one-stops.

In the city of Los Angeles, the Community Development Department works in cooperation with the Los Angeles City WIB to administer job training and placement for youth, adults, older workers, welfare recipients, and displaced workers. The Mayor and City Council serve as the chief local elected official. In 1996, cities in Los Angeles County were given the opportunity to establish one-stops. The city of Los Angeles consolidated 70 agencies to create 24 one-stops. It is anticipated that the city's one-stop system will administer more than $70 million in WIA funds and serve more than 100,000 job seekers through 15 one-stop workforce and industry centers, 9 satellites, and 12 youth consortia. Many of the one-stop centers also receive a portion of the city's federal WtW allocation.

Alameda. In Alameda County, the Alameda County Social Services Agency administers the CalWORKs program. This agency also oversees Medi-Cal, Food Stamps, and General Assistance programs. Within the Social Services Agency, the Department of WtW is responsible for eligibility determination among these different programs and the Department of Workforce and Resource Development oversees the provision of employment and other services for the CalWORKs program. Actual service delivery is primarily contracted out to other agencies and community-based organizations. (The four CalWORKs district offices are located in East Oakland, North Oakland, Fremont, and Hayward. The East Oakland office recently moved to a new building called the Eastmont Self-Sufficiency Center, which provides both eligibility and CalWORKs employment services in a one-stop setting.)[15]

Workforce development programs (JTPA/WIA, WtW, Employment Service) are overseen by EastBay Works, a consortium of service delivery areas in the Bay Area. In 1996, the Private Industry Councils of Alameda County, Contra Costa County, Oakland, and Richmond developed a system that has now grown to 15 one-stop career centers throughout the East Bay area. Alameda County has two WIBs. The Oakland WIB operates a one-stop career center located in downtown Oakland, while the Alameda County WIB operates six career centers. Approximately 10 years ago, the Alameda County Private Industry Council was moved into the Social Services Agency's Department of Workforce and Resource Development. Thus, this division of the agency administers employment services contracts for TANF as well as for the county's WIA/JTPA and WtW programs.

CalWORKs and Workforce Development Service Delivery and Linkages

The three counties we visited in California all have different models for the delivery of TANF services. We see, in varying degrees, the separation of eligibility and employment (CalWORKs welfare-to-work) case management functions. In San Diego, eligibility determination for cash aid is performed by the county, but employment case management is contracted out on a large scale (approximately 60 percent of welfare-to-work cases are served by contracted case managers). In Los Angeles, different arms of the DPSS provide eligibility and employment case management through separate offices and staff. In Alameda County, each CalWORKs office provides both eligibility and case management during program activities—although different staff are responsible for these functions. Employment and other services in Alameda County are primarily contracted out to a wide range of community-based organizations. The workforce development systems in the three study sites are organizationally more similar since all three sites have well-developed one-stop delivery systems. The sites differ, however, in the scale of their workforce development systems, the degree of coordination between the city and county systems, and the integration of the workforce development and TANF systems.

San Diego. In San Diego County, eligibility determination and validation (CalWORKs, Food Stamps, and Medi-Cal) is conducted by the county in all six of the Health and Human Services regions. CalWORKs employment case management services, however, are provided by the county in only two regions. In the remaining four regions, employment case management is contracted out to a mixture of for-profit and nonprofit private organizations: Lockheed Martin, Maximus, and Catholic Charities. Maximus and Catholic Charities each provide employment case management for a single region and Lockheed Martin oversees two regions. San Diego County decided to contract out employment case management based on its need to begin the CalWORKs program quickly in 1998, to convert many inactive GAIN cases to active status under CalWORKs, and to potentially hire as many as 500 staff.

The contracts between the San Diego Health and Human Services Agency and the three private employment case management providers are performance based. Providers are paid based on certain outcome objectives referred to as payment points. These payment points are based on such objectives as work activity participation rates (75 percent for one-parent families and 90 percent for two-parent families), as well as employment retention rates 30 and 180 days out. There is also a payment point for the process objective of providing client appraisals. In addition, there are outcome and process objectives that are not used as payment points (e.g., hourly wages and job search engagement). The performance of both the private providers and the county employment case management offices are measured against all of these objectives. Private contractors indicated, however, that they pay closest attention to the performance payment points.[16]

Individuals in San Diego seeking WIA/JTPA, Job Service, CalJOBS, and other employment and training services can access these through the county's six one-stop career centers. The EDD and community colleges serve as major partners in the one-stop system, which was developed in 1993 and 1994. The career centers are viewed as the gateway to employment and training providers. This is especially true with the growth of the county's voucher system. The one-stops are designed to promote training and other services, with their main function described as validation of eligibility and referral to training programs and other services.

Los Angeles. Like San Diego County, Los Angeles County has also separated the eligibility and employment case management functions for its CalWORKs program. Both functions, however, are provided through the DPSS, not through contracted vendors.

CalWORKs applicants can apply for cash aid, food stamps, and Medi-Cal through one of the county's 24 main district offices.

Referrals to the employment program are made through the eligibility worker to one of the county's seven GAIN regions. Before February 2000, there were GAIN intake units in each of the CalWORKs eligibility offices. Thereafter, the only GAIN units in the eligibility offices are post-employment services units for GAIN participants who are already approved and working full time. The major services provided through the GAIN offices are orientation/appraisal, job club, assessment, and supportive services. Actual provision of many of these services is contracted out to various organizations that often are colocated in the GAIN offices.

At the time of our visit, Los Angeles County was not contracting out extensively. But in summer 2000, the Los Angeles Board of Supervisors, on its own initiative, voted to contract out GAIN services for this region. The Board awarded the service contract of GAIN case management in the San Fernando Valley Region to Maximus and Lockheed Martin. Lockheed was subsequently acquired by ACS State & Local Solutions.

The one-stop systems in Los Angeles County and the City of Los Angeles serve as the universal access point for employment and training services such as WIA/JTPA, Job Service, CalJOBs, Unemployment Insurance, and WtW. The EDD is often colocated in the one-stops, but also maintains independent offices. One of the big shifts with the start of WIA will be the increased number of partners involved in the one-stops. This will add to the services available to customers, but raises other concerns, including the adequacy of funding for universal access, one-stop contractor liability for on-site partner staff, and the balance of power between the community-based organizations that often run the one-stops and the large county agencies that oversee them.

CalWORKs recipients mainly take advantage of the one-stops for WtW services. The eight LWIAs in Los Angeles have formed a regional WtW collaborative in which the DPSS is a participant. The collaborative has created a county-wide referral process among the Department, the LWIAs, and the competitive grantees. In addition, the collaborative has developed new recruitment measures including the colocation of LWIA staff in GAIN regional offices. WtW in Los Angeles is primarily used for post-employment services, so WtW participants will often arrive at one-stops having already been assessed through the CalWORKs program and placed in a job. In addition to WtW, the County of Los Angeles LWIA runs a number of programs for the DPSS, including a summer program for children on welfare, WtW for the general assistance program, a refugee program for non-English speaking recipients, and a CalWORKs domestic violence program.

The community college system in Los Angeles County plays a significant role in the delivery of both CalWORKs and workforce development services. Community colleges receive a large share of CalWORKs and JTPA/WIA funding for adult basic education, GED, and other training courses. They are also under contract to conduct assessment for both CalWORKs recipients and one-stop customers.

Alameda. In Alameda County, the Alameda Social Services Agency determines eligibility for CalWORKs and other programs and provides case management functions for those in employment and other services. With the exception of the East Oakland Self-Sufficiency Center, Job Club services are contracted out (using performance-based contracts) to a range of organizations including EDD (primarily serving the North Oakland office), a one-stop career center (primarily serving the Hayward office), and a large number of community-based organizations. Some community-based organizations also provide job search services, primarily to non-English speaking groups. Community-based organizations also have contracts with the Social Services Agency for a range of services for CalWORKs, including assessment, post-assessment services (primarily training), domestic violence services, services for young parents, mental health services, substance abuse treatment, transportation services, and services for the homeless. Because of difficulties in obtaining referrals from the CalWORKs program, many community providers outreach directly to potential participants from lists of nonparticipating CalWORKs participants, supplied by the Social Services Agency.

The one-stop system in Alameda County and the city of Oakland is the access point for employment and training services such as WIA/JTPA, Job Service, Unemployment Insurance, and WtW. Because of the EastBay Works consortium, the type and content of services received at the career centers in the region have been relatively standardized. EDD is an integral partner in the one-stops—in some cases staff are colocated at the one-stop and one of the career centers is located at the EDD office. A few CalWORKs staff are also colocated in most of the career centers. EastBay Works receives WtW dollars from both the city and the county to provide post-employment retention services to CalWORKs recipients. Among the biggest shifts associated with WIA implementation in this county are (1) a greater focus on retention and advancement, (2) more of a focus on universal services rather than services for disadvantaged individuals, (3) a change in contracting procedures arising from the new voucher system, and (4) the involvement of a larger number of partners in the one-stops.

Program Innovation and Challenges

During our interviews, CalWORKs administrators expressed concern that some of the more generous provisions of the CalWORKs program may draw welfare recipients to relocate to the state. First, California has a relatively lenient sanction policy whereby only the adult portion of the grant is sanctioned. In addition, the state's safety net program means that assistance, either in the form of cash or a voucher, never ends; aid is still provided for the children of parents who leave assistance because of the federal time limit. Respondents noted a possibility that the state may rethink the latter policy once recipients start reaching the 60-month time limit in 2003.

In San Diego, the Workforce Partnership had to resolve some issues with the WIB before contracting out their one-stops. All five one-stop centers were successfully contracted out and started by July 1, 2000. On the TANF side, the county has set up a model by which direct comparisons can be made in how the county, for-profit organizations, and a nonprofit faith-based organization provide the same employment case management services in different regions. There are few other areas in the country where this contracting model exists. It will also be important to monitor issues related to the San Diego employment case management contracts, which are in legal jeopardy. In September 2000, a Superior Court judge ruled that San Diego violated its own county charter and California state code when it contracted out the employment case management component of CalWORKs. A major concern in the lawsuit was whether the county improperly contracted out discretionary functions (e.g., decisions on giving support services or sanctioning a client) to Maximus, Lockheed Martin, and Catholic Charities.

A major challenge for Los Angeles County is that of scale. The county has a larger welfare population than any state in the country other than New York and California itself, almost 600,000 persons in January 2000. The DPSS also provides aid to 1.1 million persons through Medi-Cal, Food Stamps, General Relief, and other programs. Dealing with a caseload of this size and diversity, which includes recipients who speak many different languages and live across the 4,000 square miles of Los Angeles County, has led to problems in automating the CalWORKs system and caseload tracking.

To help CalWORKs participants and low-income families attain long-term self-sufficiency, Los Angeles County developed a comprehensive five-year Long-Term Self-Sufficiency Plan in 1999. The plan, which is funded with CalWORKs performance incentive dollars and the CalWORKs single allocation, involves active participation by several county departments, public schools, community-based organizations, faith-based organizations, and other public agencies. The plan emphasizes supporting the family unit, not just the individual, and strengthening communities so they may play an integral role in service delivery.

Los Angeles County is also rethinking how it staffs its eligibility offices. In March 2000, the Paramount CalWORKs district office began a pilot program designed to pair CalWORKs eligibility workers with GAIN services workers so that they share a common caseload and are located in close proximity to each other. Three teams of CalWORKs and GAIN workers are now housed together in one location, thus facilitating communication related to shared clients. In a separate initiative, several DPSS eligibility offices have trained their intake and ongoing case workers to identify signs of domestic violence. Some DPSS district offices have also outstationed liaison workers at one-stops, emergency shelters, and domestic violence service sites. Additionally, some nonprofit domestic violence providers have colocated outreach workers from their staff at district eligibility offices.

In Alameda County, a key challenge is to manage the wide range of community-based organizations involved in the system and to ensure that CalWORKs recipients are able to understand and access the services they need. Since welfare reform began, the county has focused on moving individuals through job search activities, and now is starting to focus on the needs of those who did not find jobs in this process. Implementation of welfare reform created some strains on the system arising from the volume of clients and the number of new providers. The county is emerging from a period when contractors were not receiving the referrals they needed from CalWORKs, and therefore initiated their own outreach. There also have been staffing concerns at the Social Services Agency, where eligibility workers who have been promoted to employment counselors have not always had the appropriate skills for this new job. This also has left many unfilled openings for eligibility workers, which has increased the caseload pressures on remaining staff.

Alameda County has a number of innovative initiatives. First, the Neighborhood Models Program is a collaborative providing a range of services in a one-stop setting in six low-income neighborhoods. Targeted to the CalWORKs population, each center reflects the needs in its community—services include paid work experience, on-site education and training, support groups, counseling, and child care. Second, Alameda County has recently contracted with several community organizations to contact the growing group of sanctioned families to learn why they are not participating and to address any barriers or problems they may have. The county also has specialized staff located in the eligibility offices to help individuals immediately address domestic violence concerns. A high priority for the future (with substantial resources dedicated to it) is to develop a more systematic and comprehensive set of post-employment services for CalWORKs participants. Finally, the One-Stop Career Centers have developed computerized ID cards, which provide an innovative way for each center to track service levels and the type of services being used. Each individual is issued a plastic ID card with a bar code that is scanned when services are used. These ID cards are used at all one-stops in the consortium.

Child Care

As welfare programs have shifted dramatically toward requiring recipients to work or engage in activities leading to work, child care is now a cornerstone of state efforts to support these activities. People leaving TANF because they have found employment, often referred to as transitional (for the period of transition off of welfare), also often need child care to make their transition a success. Though PRWORA eliminated the *requirement* that states provide child care assistance to these families—by eliminating any entitlement to child care for them—most states continue to give these families a high priority for child care subsidies. We examined the ways in which TANF and post-TANF families gain access to child care subsidies. We did the same for nonwelfare working families, since they also need child care but often cannot afford it, and many of the states in this study find themselves in the situation of having to make choices between providing subsidies to TANF clients or to nonwelfare working families.

Since welfare reform an influx of funding has become available for CalWORKs child care because of federal funding increases and the greater flexibility afforded to states under the TANF program. However, increases in funds for the general child care program for low-income families have been comparatively smaller, even though these programs have also been expanded substantially in recent years. Most counties in California continue to have a waiting list for subsidized child care for non-TANF households.

Child Care Eligibility and Assistance

Families earning up to 75 percent of the state median income are eligible for subsidized child care in California. For a family of three, the cutoff for both qualifying and remaining eligible for child care assistance was an income of $2,821 per month in 1999. Subsidies are available for children from birth through 10 years under state law, which also allows for the provision of child care to children ages 11 and 12 to the extent that funds are available (Stage 1). (For a description of the CalWORKS child care system Stages 1–3, see the "Administrative Structure and Funding" section that follows.) For families funded through the Child Care and Development Fund (Stages 2 and 3), subsidies are available for children from birth through 13 years of age. Families are eligible for up to 24 months of child care subsidies from the time they stop receiving cash aid. Once they have "timed out" of the transitional period, they continue to be eligible and can continue to receive a child care subsidy for as long as they meet the income eligibility criteria. For these families, the system has been designed to be "seamless," and thus they are not required to reapply. There were no known waiting lists for CalWORKs child care at the time of this report. However, the research team heard concerns on the part of several state administrators and local providers about the uncertainty regarding the long-term adequacy of funds allocated to CalWORKs child care.

For non-CalWORKs or "greater arena" families to be eligible; families must earn at or below 75 percent of the state median income and meet the need criteria (employed, in an approved training/educational program, with a medically recognized reason for care, or with a child protective services referral). The eligibility cutoff for State Preschool Programs is 60 percent of the state median income, on average, and varies according to family size (this cutoff differs from that for the other child care programs).

Although non-CalWORKs families earning 75 percent or below of SMI are eligible for child care subsidies, it is estimated that only the poorest families—those earning 25–30 percent of the state median income—are able to enter the non-CalWORKs subsidized child care system, in light of a shortage of funds and the priority given to families on or transitioning from welfare for these slots. Once families enter, they stay in the system until they income out (more than 75 percent of SMI) or their children age out. Children served through Child Protective Services are the highest priority for subsidized child care slots, with an estimated 15 percent of funds used for these children. Because of the lack of centralized waiting lists to date, and the fact that families can be wait-listed with more than one provider, there is no reliable statewide figure indicating the actual unduplicated number of families on waiting lists. Localities across the state are now working to establish centralized eligibility lists, and pilot programs in several counties are exploring how to overcome barriers so that centralized lists can become available statewide.

Other Early Childhood Programs in the State

California has no universal preschool program, but the State Preschool Program exists for a limited number of income-eligible 3- and 4-year-olds (there are 332 programs, typically offering a half-day program for children, with a parent education and involvement component). The state superintendent of instruction has recommended that universal preschool, offering at least a half-day program to all 3- and 4-year-olds in the state, be phased in over a ten-year period. However, as of the time of our site visits, no current funding source existed for the universal preschool program.[17]

A new and relatively large state-funded program is the Proposition 10 State and County Children and Families Commissions. Commissions are established in every county to administer funds generated through the voter-approved 50-cent tax per pack of cigarettes. Funds are to be used "to create and implement a comprehensive, collaborative, and integrated system of information and services to promote, support, and optimize early childhood development from the prenatal stage to five years of age."[18] Approximately $700 million in Proposition 10 revenues was generated in FY 1999–2000, with more than $550 million distributed among county commissions for locally determined projects serving children from birth to age 5 along with their families.

The California Children and Families Commission sponsored the School Readiness Initiative Task Force, which began meeting in 2000–2001 to explore ways to improve the ability of families, schools, and communities to prepare children entering school for success. While plans are still being discussed and are expected to be completed in 2002, one vision is that implementation of this initiative will be accomplished through start-up and implementation incentive grants to county commissions that may fund approximately 50 locally tailored School Readiness Centers/Programs in communities served by low-performing schools. The cornerstone of the School Readiness Initiative will be local School Readiness Centers/Programs that restructure and coordinate the delivery of quality early care and education, health and social services, parental education and support, and also improve schools' readiness for children through family-friendly environments in school-based or school-linked settings. While the overall program design is based on research, each county program also has the flexibility to accommodate local needs. The initiative will be supported by a campaign to educate the public about the availability of "school readiness" resources and about the standards and expectations for early education and kindergarten, and by the development of research-based School Readiness assessments for children and for schools.[19]

In addition, California funds the following programs (funds shown are for FY 1999–2000, where available):

- The Severely Handicapped programs comprise six programs providing supervision, care, and other services to eligible families, with a budget of $1.3 million.
- The Migrant Child Care programs comprise 25 programs serving children of migrant workers while their parents work, with a budget of $22.4 million.
- The School-Age Parenting and Infant Development system comprises 103 programs serving adolescent parents and their children, providing parent education and child care and development services while parents complete high school. Its budget was $21.6 million.[20]
- The 135 School-Age Community Child Care programs or "Latchkey" programs provide a safe environment before and after school and during school vacations.
- The After-School Learning and Safe Neighborhoods Partnerships program was funded for the first time during 1999–2000. Local programs provide academic and literacy support for students in grades K–9.
- Campus child care at 99 of the state's 106 community colleges is provided with CalWORKs funds (approximately $15 million). Community colleges must spend at least $15 million of their CalWORKs grant on CalWORKs child care and reportedly spend a great deal more. All campuses have Cooperative Agencies Resources for Education (CARE) to provide child care to single welfare parents with children under age 6. The California State University system also receives approximately $1 million to subsidize CSU-operated child care centers.
- The State Office of Criminal Justice Planning funds after-school and mentoring services for at-risk youth.
- The Department of Health Services provides support services to pregnant and teen parents not eligible for CalWORKs.
- The Employment Development Department receives federal JTPA funds, which in turn fund local private industry councils providing unemployed individuals with training and support services, including child care.

- The Franchise Tax Board administers an employer tax credit for up to 30 percent of start-up costs to establish a child care program or construct a child care facility for children of employees or tenants. This credit can also be applied toward expenses to secure child care resource and referral services and toward employer contributions to child care plans for employees' children.
- The Child Care Facilities Financing Program of the Housing and Community Development Department administers approximately $7 million for loans to aid in the development of child care facilities.
- The Child Care Advocate Program was established by the California Department of Social Services (CDSS) Community Care Licensing Division to link the licensing agencies with local child care communities.
- Cal-Learn is a program administered by CDSS for teen parents up to age 19 who do not have a high school diploma. CalWORKs child care is one of several services provided to support parents' attendance at school. In FY 1998–99, $6 million was budgeted for Cal-Learn child care, for an expected caseload of 1,786.

A number of quality improvement and capacity building activities were also funded with Child Care and Development Fund (CCDF) quality dollars. Many of these programs include staff recruitment, training, and curriculum development activities, and others provide funds to support the building or renovation of buildings, classrooms, or family child care homes. The *Child Care Facilities Revolving Fund* provided funds to purchase and relocate child care facilities. In addition, the California Department of Education, Child Development Division, has supported development of the *TrustLine Registry*, the *Program for Infant/Toddler Caregivers, Prekindergarten Learning and Development Guidelines* for 3- to 5-year-olds, *KidsTime* curriculum for school-age care, the *Early Care and Education Family Partnership Initiative*, and *Desired Results for Children and Families*, a results-based accountability and quality improvement system for all state-subsidized child care and development programs.

In 1998, federally administered Head Start programs, with funds of nearly $459 million, served 81,681 children, almost all of whom were 3 to 4 years old.[21] In 2000, the program grew to more than 95,280 children, with a budget of $642 million.[22] California's Head Start program is the largest in the nation, administered through a system of 64 grantees and 77 delegate agencies, 52 of which also have contracts with the California Department of Education for subsidized child care. Head Start programs are almost all part-day and do not operate year-round. The California Head Start Collaboration Project, funded by the Administration on Children, Youth, and Families as of 1992, aims to coordinate Head Start and state child care and development programs, such as linking state and Head Start programs to create full-day services. Forty percent of Head Start programs are operated by local education agencies, such as the Los Angeles County Office of Education.[23]

Administrative Structure and Funding

California is the only study state in which two state agencies have major responsibilities for administering and regulating child care and development programs: CDSS and the Department of Education (CDE). The three major low-income child care subsidy programs follow.

1. *CalWORKs child care* provides subsidies for families who are or who had been CalWORKs recipients. CalWORKs child care is a three-stage child care delivery system.

- *Stage 1* is administered by CDSS. A CalWORKs recipient stays in this stage until the recipient is considered by his or her employment worker as having a welfare-to-work plan in place and a "stable" child care arrangement, usually for a period of up to six months while the recipient is in a job training or job search activity.

- *Stage 2* is administered by CDE. Families in Stage 2 may or may not still be receiving CalWORKs cash aid. Families can receive Stage 1 or 2 subsidies for up to two years after the family stops receiving CalWORKs cash aid.
- *Stage 3* is administered by CDE. This stage is essentially a set-aside in the larger, preexisting child care subsidy system for low-income parents. As the original statute states, families who were diverted from welfare (i.e., received a lump-sum payment) and current and former CalWORKs families with a family income at or below 75 percent of SMI were to be eligible for Stage 3. Families were to receive Stage 3 funding at any point after entering the CalWORKs system if a space was available and the parent was in a "stable" situation. In fact, because of regulation changes, families can only receive Stage 3 funding after they have exhausted 24 months of cash aid.[24]

2. The *Child Care Assistance* program (also known as "Greater Arena" or "broader arena" child care) provides subsidies for low-income working families who have never been on CalWORKs. This program is administered by CDE and is also within Stage 3.

3. *Contracted child care* provides subsidies for low-income families through contracted child care providers. Approximately 850 agencies hold child development contracts, many of which are public school districts. The contracted program is administered by CDE.

The three-stage child care delivery system for current and former CalWORKs participants with the division of administration between CDE and CDSS was the result of a political compromise between the Republican governor and the Democratic legislature in 1997. Further complicating coordination, CDSS is under the governor's purview (with staff appointed by the governor), while CDE is under the direction of the independently elected state superintendent of instruction, controlled by the state legislature. The division of administrative responsibility for welfare-related child care services has required the two agencies to coordinate their efforts to a much greater extent than they did before welfare reform. Traditionally, CDSS has viewed child care as a support service to assist welfare families to become self-sufficient, while CDE has viewed child care from the perspective of child development through education. Through this working relationship (CDSS and CDE staff overseeing child care and development programs met weekly for a year from the onset of welfare reform to coordinate services), both agencies have tried to eliminate barriers to coordination at the local level. One result of state-level collaboration was the adoption of a single eligibility standard for voucher payments. (The eligibility criteria still differ between state preschool and general child care funded programs and vouchers.) A single child care subsidy reimbursement rate mechanism (based on an annual regional market rate survey) is used for families on and transitioning off of cash aid. Before CalWORKs, there were 18 different state and federally funded programs, different provider rates, different criteria for eligibility, and different rules and regulations. The CalWORKs child care system consolidated 8 of the 18 programs into CalWORKs child care. However, the 10 remaining programs still administered by CDE continue to have some differences.

At the local level, Stage 1 is administered by CDSS through its county welfare departments (CWDs). Increasingly, CWDs are contracting with other local agencies (including alternative payment and resource and referral agencies) to administer Stage 1 child care. As of 2001, the majority of CWDs had contracted with the alternative payment programs in their county to administer Stage 1, thereby making the system as seamless as possible for more than 80 percent of the Stage 1 caseload.[25] Once families are considered stable, they are "paper" transferred to Stage 2, which is administered by CDE-contracted "alternative payment" (AP) programs. AP programs serve as "brokers" of subsidized child care for CalWORKs and non-CalWORKs families, managing the transfer of voucher payments to providers for eligible families on behalf of the parents. (Some county welfare departments have contracts with CDE as AP providers to deliver Stage 2 services.) Stage 3 is also administered by CDE through its AP programs.

Under CalWORKs, local Child Care Resource and Referral programs (based in each county and funded through CDE) are required to "colocate" in or near county welfare departments, or "arrange by other means of swift communication" assistance for parents to identify and use child care services. In some cases, CWDs have provided office space for resource and referral staff to be physically located on site; in other areas of the state, "co-location" is achieved by having a dedicated telephone line to the resource and referral program from the welfare office. These arrangements are determined locally, and therefore vary by county.

Parents may choose licensed or license-exempt providers. Licensed providers are required to meet basic health and safety standards developed by the Community Care Licensing Division and found in Title 22 of the California Code of Regulations, and are subject to criminal background checks. License-exempt providers (except for grandparents, aunts, and uncles) must be registered with TrustLine, the statewide system for background checks for all in-home and license-exempt family child care providers, and must complete a health and safety self-certification form.

Funding

When CalWORKs began in August 1997, the Child Care and Development Fund added approximately $125 million to the approximately $500 million already committed by the state to child care subsidies. Although there has been substantial new funding for welfare-related child care (Stages 1–3), there has been very little increase in funds for the general child care program for low-income families.[26] (In 1999, a request for a $300 million expansion produced only $17 million in additional funds.) In FY 1998–99, overall funding for subsidized child care in California totaled $2.1 billion, with CalWORKs-related child care funded at $1 billion, and child care for low-income working families through the "greater arena" and contracted programs funded at approximately $1.1 billion.

Within CalWORKs child care, the governor has allocated more money to Stage 1 than to Stages 2 or 3. There has been much negotiation about whether there is enough money overall and if it is allocated to the three stages appropriately. In FY 1998–99, $496 million was allocated to Stage 1, $217 million to Stage 2, and $110 million to Stage 3, with a reserve fund of $183 million. The state Department of Education received $100 million in TANF funds, which was transferred into child care and development funding for Stage 2 families. The $183 million in reserve for FY 1998–99 was nontransferred TANF money that either agency could draw on in the event that their caseload estimates were inaccurate.

The FY 1999–00 budget allocated $496 million to Stage 1 child care, $374 million to Stage 2, and $78 million to Stage 3. There was also a $271 million reserve for Stage 1 or Stage 2 unmet need. In FY 1999–2000, $257.3 million was transferred from TANF to CCDF, administered by the Department of Education.

In FY 1999–2000, contracted or "general child development" programs received a total of approximately $464.5 million, and AP programs received $194.2 million. CDE also funded the State Preschool Program ($207.1 million) for 332 programs that are typically part-day, school-year, comprehensive programs for 3- to 5-year-olds from low-income families.

Data collection and reporting systems for the two state-level agencies administering child care services are not coordinated and their computer systems are still separate, making it difficult to determine or predict service needs, system capacity, and utilization for the system as a whole. The state reserve funding account ($271 million in FY 1999–2000) existed as a result of the unavailability of solid data to estimate caseloads on a statewide basis. However, CDE has made considerable strides in data collection and fiscal analysis for CalWORKs Stages 2 and 3. In April 1999, the department implemented a caseload data collection system for all CalWORKs Stage 2 and 3 contractors that complemented the existing fiscal expenditure reporting requirement. Agencies were required to report monthly (since July 2001 agencies have been reporting via Internet) and the data collected allowed for the determination of agency-specific fiscal needs for both the existing caseload and the caseload that would transfer into each of the stages. This system has proven reliable for requesting additional funds from the CalWORKs reserve for Stage 2 unmet need and for the administration's statewide budget-building. Agency-specific information is now being used to augment or reduce contracts based on their caseload-driven nature.

Child Care Fees and Reimbursement Rates

Eligibility levels, priority listings for which families are served, family copayment levels, and reimbursement rates are all legislatively mandated at the state level. These policies are identical for CalWORKs child care and "greater arena" (non-CalWORKs) child care.

Parent Fees. All families must make a copayment once their income reaches 50 percent of the state median income. Families pay fees on a sliding scale, which is the same for CalWORKs child care and greater arena families. The formula for copayment rates is set at the state level. A family of three at 50 percent of the state median income ($1,881 per month) would pay $.20 per hour, while a family of three at 75 percent of the state median income ($2,821) would pay $1.01 per hour. California only charges fees for one child in the family; fees are waived for any additional children in subsidized care. At the time of our visits, there was considerable discussion at the state level about raising the family fees.

Reimbursement Rates. All counties are held to the same regional market structure, so the reimbursement rates for CalWORKs and "greater arena" child care are the same. The market rate survey is conducted annually by the California Resource and Referral Network. The state is currently paying rates up to 1.5 standard deviations of the mean regional market rate for providers paid through the AP system. For contracted providers, or "center-based care," as they are referred to, a standard reimbursement rate is set by the state, and is based on a daily rate per child. Higher rates are paid for children with special needs, although this appears to be a local decision (one of our sites did not reimburse at higher rates for children with special needs). Higher rates are also available for infant care (1.7 times the standard reimbursement rate is the adjustment factor) and care during nontraditional hours (weekends/evenings).

Who Is Paid, and How. Providers are reimbursed directly by county welfare departments (or AP programs with whom CWDs contract for Stage 1 services) for care provided to families in Stage 1. Providers are reimbursed from AP programs for children of families in Stages 2 and 3 and for children of families in "greater arena" child care. Contracted providers are paid directly by the state, using daily rates for full-day care up to the providers' licensed capacity, and the reimbursement amount is expected to cover all provider expenses. Before welfare reform, the law stated that parents could be paid directly (and would, in turn, pay their provider), but this has been changed. State law now requires that for CalWORKs, the provider be paid by the contractor, except in instances of in-home exempt care. When a parent selects an in-home license-exempt provider, the contractor may pay the parent directly.

Program Innovations and Challenges

With CalWORKs in operation, California's child care subsidy system has undergone considerable administrative and programmatic changes. Before welfare reform, the state provided subsidized child care through 18 state and federal programs, and administered these programs through two separate delivery systems, one for welfare families and another for families not on welfare. The two state agencies, characterized by fundamental ideological and political leadership differences, often found it challenging to coordinate child care policies and procedures. Differences in eligibility requirements, maximum payment amounts, eligible providers, priority groups for subsidies, and time limits typified the earlier system. CalWORKs resulted from a political compromise to maintain subsidy administration within these two state agencies. However, the new system requires greater coordination and collaboration on the part of both agencies in order to streamline service delivery and to consolidate key policies to form a single three-stage system serving families on and transitioning off welfare.

CalWORKs has added major new resources to the subsidized child care system. Before welfare reform, California had been recognized since 1943 as a national leader in its commitment to providing child development program subsidies. Most of the federal expansion of full-day, year-round child care has gone to AP contracts over the past ten years. As a result, the budgets for AP contracts have grown from approximately $35 million in 1990 to about $1 billion in 2001.[27] The Child Care and Development Block Grant added approximately $125 million to the approximately $500 million already committed by the state at that time to child care subsidies. The combined state and federal investment has increased 30 percent in two years, from $1.97 billion in 1998–99 to $2.56 billion in 2000–01.[28] This large influx of funds over a short period of time has meant that agencies providing subsidized child care services have struggled to hire and train staff, keep caseloads manageable, and generally keep up with the increased demand for services. In addition to an inadequate supply of child care in many regions of the state, there are high rates of staff turnover and severe problems with recruitment and retention of providers. The Child Development Division is working on multiple fronts to (1) bolster child care capacity, (2) enhance recruitment of providers, (3) conduct pilot staff training and retention initiatives, and (4) improve program quality through professional development and installation of a newly developed results-based accountability system for all child development programs, *Desired Results for Children and Families.* In addition, the state is developing a master plan for increasing parent involvement in subsidized child care and development programs, through the *Early Care and Education Family Partnership Initiative.*

Although California's subsidized child care system is the largest and one of the most generous among the states, it continues to be challenged by (1) its own complexity, (2) inadequate funding to serve all eligible families, (3) inequitable access to subsidies for nonwelfare families, (4) lack of statewide data systems, and (5) shortages of care for infants and toddlers, children with special needs, children with short- or long-term illnesses, and care during nontraditional hours. The three-stage system may not be working as originally intended, as it has been difficult to predict caseloads, transfer rates, and the rates at which families stabilize and can be transferred to Stage 2. While the CalWORKs three-stage program was designed to provide immediate access for cash-aided families to obtain the child care that they needed for work or work-related activities, it is also the case that these families are of the lowest income, and would have had highest priority on any waiting list. CalWORKs child care did not necessarily create an equity issue, but certainly highlighted the problem of inadequate funding for the subsidized child care system, particularly for low-income non-CalWORKs families.

The transition from Stage 1 to Stage 2 is supposed to be simply a "paper transfer." But in fact, depending on the relationship between the local administering agencies (CDSS and CDE), transitions can be somewhat burdensome rather than "seamless." Decisions regarding when to move families to Stage 2 are made at the local level, contributing to the inconsistent application of state guidelines for moving families through the three stages. In addition, because of funding anomalies, families may remain in either stage depending on where funds are available, regardless of their welfare status.[29]

Because of the statutory guarantee to provide subsidized child care to families that are receiving or transitioning off cash aid (for a two-year period), funding priorities have favored welfare families, leaving many eligible nonwelfare families waiting for child care. It is estimated that 200,000 to 300,000 children in non-CalWORKs working poor families that qualify for subsidies are waiting for openings.[30] Waiting lists are not centralized in most communities; thus, families' access to child care is hampered by the lack of centralized information about available slots. At the time of this report, several California communities were engaged in a state-supported pilot process to explore the feasibility of centralizing eligibility lists, with the intent of replicating successful strategies statewide.

A recent *Child Care Fiscal Policy Analysis* conducted for the State and Consumer Services Agency, in response to concerns about the cost and availability of subsidized child care services in California, warned that continuing to provide CalWORKs families guaranteed access to subsidized child care will become increasingly costly in the coming years. Although current law does not guarantee access to subsidized care after the two-year transitional period ends, it has been the practice of state policymakers to continue to guarantee access to child care by providing additional funding under Stage 3 specifically for these families. The report estimates that the cost to provide continued unlimited access to child care under Stage 3 will grow by hundreds of millions of dollars each year. For FY 2001–02, the cost for continuing Stage 3 care for families reaching the end of their two-year time limit for transitional care is estimated to be nearly $300 million,[31] and by FY 2004–05, the cost is estimated to be well over $600 million. The report provides alternatives for cost containment through adjustments to the state's policies regarding eligibility, family fees, and subsidy levels.

Child Welfare

Child welfare agencies seek to protect children from abuse and neglect. They may intervene in families in which such behavior is suspected; may offer services to such families or require that families complete service programs; and may remove children from their home and place them in state-supervised care if children face imminent or ongoing risk of abuse or neglect in the home. Nationally, many policymakers, researchers, and advocates expressed concern that families that did not fare well under the new welfare requirements might be referred to child welfare agencies for child abuse or neglect. Thus far, however, child welfare caseloads in California have not increased following welfare reform. Welfare reform does appear to have affected the financing of child welfare services in the three counties we visited. In addition, welfare reform has spurred a variety of collaborative efforts between welfare and child welfare offices.

In California, child welfare services are state supervised by the DSS and administered by 56 local agencies. This means that the state provides guidance and oversight, but counties have considerable decisionmaking authority over how to design and operate programs to best meet local needs. Even compared to other county-administered states, California appears to give its counties considerable decisionmaking authority and fiscal responsibility. As a consequence, child welfare policies and practices vary greatly from county to county.

In all three of the counties we visited, local officials met to discuss the impact of welfare reform on the child welfare system. Administrators in these counties noted that welfare and child welfare officials were concerned about the fate of welfare recipients who did not fare well following the reforms and wanted to develop strategies to identify such persons. In San Diego, these discussions led to the formation of an umbrella health and human services agency based on the belief that consolidating welfare and social services into a single agency would lead to the greater collaboration seen as necessary following the reforms.

Child Welfare Caseloads

Despite widespread concerns in the state, thus far child welfare caseloads have not increased following welfare reform. In 1999, California investigated allegations of abuse and neglect involving 452,887 children, a 2 percent decrease since 1996. In 1999, 28.8 percent of children investigated were found to be victims of maltreatment, a decrease from 39.4 percent in 1996, although higher than the national average of 34 percent. California's victimization rate of 14.6 victims of maltreatment per 1,000 children is higher than the national average of 11.8.

After doubling between 1988 and 1997 the number of California children in child welfare supervised foster care declined 8 percent between July 1998 and July 2001 (to 97,024 children). These increases are not attributed to an increased incidence of foster care placement (which has been relatively stable over this entire period), but rather to a growth in the child population and foster children remaining in care for long periods of time. In essence, the foster care caseload had been increasing because the number of children who entered foster care outnumbered those who exited.

While respondents agreed that welfare reform had yet to significantly affect child welfare caseloads, social workers did note some changes that they thought might be early warning signs of future impacts. Social workers most often mentioned their perception that the number of children being reported for inadequate supervision had increased. The workers attributed this shift to higher numbers of employed single mothers who had not secured adequate child care.[32] Social workers in each of our case study sites also noted that families involved with both the welfare and child welfare agencies were struggling to meet the requirements of both systems. For example, single mothers were employed during the day to meet welfare requirements, but such employment made it difficult for them to attend court hearings, visit foster children, or access services required as part of their child welfare case plan.

Financing

Although welfare reform is known for the block granting of federal income assistance, PRWORA also altered federal funding streams that many states have used to pay for child welfare services. The Emergency Assistance program was eliminated with the program's funds rolled into the TANF block grant, the Social Services Block Grant was cut by 15 percent, and eligibility for Supplemental Security Income (SSI) was defined more narrowly.[33]

While total child welfare spending in California increased 16 percent between state fiscal years 1996 and 1998 (as well as in each of our three case study sites), budget specialists in the three counties we visited documented a variety of impacts of welfare reform on child welfare financing.[34] All three sites reported that fewer foster children were receiving SSI. Los Angeles officials noted that the number of foster children receiving SSI had dropped from 2,000 to 800 while Alameda officials estimated that about a quarter of the foster children who had been receiving SSI lost benefits.

Budget officials in all three of our case study sites also noted concerns with the transition from Emergency Assistance to TANF. As in many states, a number of California counties hired revenue maximization experts to increase the amount of federal Emergency Assistance funds they could claim for child welfare services. Thus, many counties had seen their Emergency Assistance revenue increase significantly before welfare reform. Under TANF, the state has had difficulty meeting its maintenance of effort requirement and is now continuing the Emergency Assistance program by paying for it out of state general revenue funds so it can count as part of the maintenance of effort. This has capped the program and limited its growth.

County budget officials also noted that the uncertainty of TANF funds and how they are allocated to the counties makes it difficult to plan. The state distributes TANF funds to the counties through several different allocations with different requirements. Since much of the funding that a county receives depends upon how well welfare recipients secure employment, increase earnings, and exit welfare, county officials noted that they were uncertain as to the level of funds they would receive. Moreover, there was confusion over which services could be funded through the different state TANF allocations. In FY 1998, California spent approximately $0.5 million of TANF funds on child welfare services compared with $87 million spent on child welfare under Emergency Assistance in FY 1996. However, by FY 2000 TANF spending on child welfare services increased to $167 million.

Collaboration between TANF and Child Welfare Agencies

Many families receiving services from child welfare agencies also receive welfare assistance. These dual-system families may face competing demands. They must meet the new requirements imposed on welfare recipients in order to receive assistance, while simultaneously meeting case plan goals developed by child welfare agencies in order to keep their children or have their children returned to them. Despite the overlap in populations, historically there has been little formal collaboration between child welfare and welfare agencies. While joint case planning is still the exception rather than the rule and child welfare workers report difficulties in collaborating with TANF agency workers, in each of our California case study sites welfare reform appears to have spurred collaborative efforts between welfare and child welfare agencies.

Alameda County has outstationed a child welfare worker at two of its three employment and training self-sufficiency centers in order to have an expert on-site to provide guidance regarding child welfare issues. These individuals are available to assist TANF workers when clients are in the office or to answer questions as they arise.

In San Diego, a new position has been funded in the Health and Human Services Agency to identify all families involved with both the welfare and child welfare agencies. Once such a dual-system family has been identified, the workers from the two agencies will be contacted to encourage them to coordinate case planning activities. In addition, San Diego officials noted that this effort would help identify services being provided through child welfare that could be supported with TANF money.

Other Changes Affecting Child Welfare

While we asked child welfare respondents about the impact of welfare reform, most identified other issues as more critical for their agency. The issue that workers and administrators most often cited as affecting child welfare was the use of a new computer system, the Child Welfare Services Case Management System. According to workers, the new system required considerably more time to manage than workers had previously spent completing paper forms. Cuts in clerical staff made their workloads even greater. Many workers commented that they were now spending more time in front of a computer than visiting with clients. Administrators acknowledged that the new system was a significant source of worker frustration. The additional workload demands of the computer system are exacerbated by the additional demands imposed on workers by the Adoption and Safe Families Act of 1997. The act reduced the length of time the agency has to work out reunification, adoption, or another permanent living arrangement for children placed in foster care. Workers noted that the act's new requirements significantly increased the amount of paperwork they must complete as well as the amount of time they spend in court.

Officials in each of the three case study counties also identified a severe lack of foster homes as a growing problem. Workers noted that the lack of family foster homes has led to more and more children remaining in shelter or emergency placements, being placed with relatives whose ability to care for children was considered "marginal," or entering residential or group care facilities.

Finally, child welfare workers noted that drug abuse continues to be a major problem for at least 75 percent of their clients. In California, workers noted that the crack epidemic of the 1980s and early 1990s has given way to methamphetamine, a drug that can be easily and very cheaply produced.

Summary

Most social welfare programs in California are state supervised and county administered. State agencies set overall policies, make rules, determine eligibility criteria, and set benefit levels. State agencies also monitor local practices and provide technical assistance to counties to ensure state policies are followed. Within these parameters, counties have varying amounts of administrative flexibility. The state welfare reform legislation provided counties with significantly more discretion in administering their welfare programs than they previously had. California is one of five states in this study that devolved decisionmaking regarding the formulation of welfare programs to the counties. California counties have flexibility with regard to setting policies in the areas of (1) diversion payments,

2) youngest child exemptions (within the range of 12 weeks to one year), (3) domestic violence exemptions (if the counties determine that any program requirements, including time limits and work requirements, put an individual at risk of further abuse), and (4) designing their welfare-to-work programs (including determination of good cause for nonparticipation, allowable work-related activities, and the nature of community service jobs). These policies are set forth in each county's CalWORKs plan, in which counties are also required to state how they will collaborate with public and private agencies to provide training and supportive services.

California has traditionally provided relatively generous income support for its low-income population. Historically, its AFDC (now CalWORKs) benefit levels have been among the highest in the nation. The state also requires counties to provide General Relief to all indigent individuals who do not qualify for CalWORKs. CalWORKs is more generous than the TANF programs adopted by other states in response to PRWORA in the following ways:[35]

- **Time Limits and Sanctions.** As of July 2000, 11 states had implemented a mechanism that allowed people to receive benefits after the federal lifetime limit on cash assistance has expired. California is one of four states that limits this payment mechanism to children, cutting the adult portion of the payment. California's lifetime time-limit clock begins in January 1998, whereas only one other state has a later clock start date. CalWORKs also provides for limited (adult grant only) sanctions for continued failure to comply with work requirements.
- **Payment Levels.** CalWORKs legislation maintains California's benefit levels at among the highest in the country. As of January 2000, only five states (Alaska, Connecticut, Hawaii, New York, and Vermont) are higher.
- **Income Eligibility Limits.** California has the fourth most generous income eligibility limit in the country, with only Alaska, Delaware, and Hawaii having higher limits. CalWORKs provides for a 50 percent (as opposed to 66 percent under AFDC) reduction of the grant for all earnings for as long as the individual is receiving cash assistance (not only for the first four months).[36]

In addition, the eligibility limit for child care subsidies, 75 percent of the state median income, is relatively high when compared to that of many other states. The fees charged to families are lower, and California pays a subsidy rate that allows eligible families to access nearly all (93 percent) of the providers in their community, without making a copayment until the family's income is greater than or equal to 50 percent of SMI. California also provides a child care tax credit to low- and middle-income families. New federal revenues under CalWORKs have infused the child care subsidy system with substantial new resources, and although many thousands of eligible non-CalWORKs families are waiting for slots, the system has essentially guaranteed CalWORKs families access to child care for as long as they remain eligible. Given this situation, non-CalWORKs families are realizing that the only sure way to access child care subsidies is to apply for cash assistance, an incentive that is operating at cross-purposes with the overall goals of CalWORKs.

CalWORKs continues and strengthens California's emphasis from earlier years on "work first" and community-based service coordination and collaboration. In all three cities visited, attempts were made to colocate welfare workers with employment development and child care caseworkers, in an effort to streamline and coordinate service delivery. To varying degrees, eligibility determination and employment case management functions were separated, and sites differed in the scale of their workforce development systems, the degree of coordination between city and county systems, and the integration of workforce development and TANF systems. The city of Los Angeles consolidated its 70 job-training and placement agencies to create 24 one-stops, and it is estimated that this new system will eventually serve more than 100,000 job seekers. San Diego and Alameda Counties have similarly emphasized one-stop service delivery. The three counties offer a range of work, education, and training activities that can count toward the work requirement. Job-related, health, and social service counseling and referrals are also available to recipients with barriers to employment, and efforts are under way in each county to learn more about why recipients are being sanctioned and what services they may need. Because of the substantial increase in the volume of clients (in addition to their wide diversity of needs) and the number of newly contracted job training and employment service providers in the system, caseload and staffing issues have been a challenge in each region we visited. In addition, county budget officials noted that uncertainty regarding the level of TANF funds they could anticipate made it difficult for them to plan.

California's child welfare agencies do not appear to have been affected significantly by welfare reform, although many individuals had predicted that the new welfare requirements would result in increased referrals for child abuse or neglect. In fact, California's trends are similar to national trends, in that the number of children referred for investigation has been relatively stable over the past several years. However, social workers from California counties frequently mentioned an observed increase in the number of children being reported for inadequate supervision, attributed to an increase in the number of employed single mothers who had not secured adequate child care, even though they receive the highest priority under state policy for obtaining a child care subsidy. In addition, social workers noted the difficulties faced by families involved with both the welfare and child welfare systems, who struggled to meet the requirements of both systems, that is, employment versus court, visitation, or other activities required as part of the child welfare case plan. With the more narrow definition of eligibility for SSI under PRWORA, all three case study counties also reported fewer foster children receiving SSI benefits. Despite concerns over the uncertainty regarding the level of funds that would be available for child welfare agencies, the case study sites were using a significant amount of TANF funds for child welfare services. Perhaps the biggest impact of welfare reform for child welfare agencies has been the way in which the reforms have spurred collaborative efforts between welfare and child welfare agencies.

In summary, the initial implementation of CalWORKs has resulted in several trends among TANF, employment development, child care, and child welfare agencies. These include (1) increased county discretion in determining local CalWORKs-related policies, (2) significant reductions in TANF caseloads, (3) substantial new resources dedicated to supporting all CalWORKs families with child care subsidies, (4) greater collaboration across state- and local-level agencies in an effort to streamline service delivery, and (5) a continued focus on work first, with community resources becoming more aligned to support sustained employment.

Endnotes

1. Counties included were: Alpine, Humboldt, Kern, Marin, Mariposa, Mendocino, Modoc, Nevada, Placer, Plumas, Riverside, San Benito, San Francisco, Santa Barbara, and Tuolumne.

2. Public Policy Institute of California. 2000. *The Changing Social and Political Landscape of California*. Research Brief, Issue 31. San Francisco. April.

3. U.S. Immigration and Naturalization Service. 1997.

4. Urban Institute tabulations of March 1996 Current Population Survey (CPS) data.

5. Hill, Elizabeth G. 1999. *Major Features of the 1999 California Budget*. California Legislative Analyst's Office. Sacramento. June 22.

6. California Budget Project. 2001. *Lasting Returns: Strengthening California's Child Care and Development System*. Sacramento. May.

7. Despite the guarantee of funding for education under Proposition 98, California still has very low expenditures on education compared with other states, and per pupil spending lagged inflation from 1989 through 1995 (California Budget Project. 1996. *Tax Cuts and Welfare Reform: A Review of the Governor's Proposed 1996–97 Budget*. March.).

8. Legislative Analyst's Office. 1997. *Overview of the 1997–98 May Revision*. Sacramento. May 19.

9. The payment levels vary as California has two payment regions. In Region I counties (including Alameda, Los Angeles, and San Diego Counties), the correct maximum grant amount for a family of three in 1995 was $594; this figure increased to $626 in July 1999 and increased again in October 2000 to $645.

10. This is separate from the federal U.S. Department of Labor Welfare-to-Work program, although depending on the county, CalWORKs recipients may be able to participate in the federal program to meet their CalWORKs welfare-to-work participation hours.

11. Families working half-time at minimum wage had larger grants under prior law. Legislative Analyst's Office. 1998. "CalWORKs Welfare Reform: Major Provisions & Issues." January 23. http://www.lao.ca.gov/012398_calworks.html. (Accessed August 2001.)

12. Quint, Janet, Kathryn Edin, Maria L. Buck, Barbara Fink, Yolanda C. Padilla, Olis Simmons-Hewitt, and Mary Eustace Valmont. 1999. *Big Cities and Welfare Reform*. pp. 79–80. New York: Manpower Demonstration Research Corporation.

13. Legislative Analyst's Office. 1998. "CalWORKs Welfare Reform: Major Provisions & Issues." http://www.lao.ca.gov/012398_calworks.html. (Accessed August 2001.)

14. The Diversion Program in Los Angeles County was implemented in July 2000.

15. All four district offices provide CalWORKs eligibility intake and employment case management services plus face-to-face contact for ongoing eligibility cases. All ongoing eligibility cases are handled at one nonclient contact office, the Benefit Center.

16. Effective February 2001, contract payment points changed to a combination of core payments and three pay points for performance only, not process. New pay points are: percent employed (target 47 percent by 6/01; 50 percent by 6/02), 1.5 percent of region's WtW caseload each month achieves 180-day job retention, 3.5 percent of region's WtW caseload each month exits due to earnings/employment and remains off aid for thirty days.

17. As of 2001, however, there was $308 million available to fund 100,000 slots for the State Preschool program.

18. Proposition 10, California Children and Families Commission, November 1998.

19. California Department of Education. 2001. "School Readiness 2001 Discussion Paper."

20. As of 2002, this program no longer exists. The caseload was transferred to the new Cal-SAFE program.

21. Early Head Start serves a smaller percentage of children from birth to 3 years.

22. California Department of Education Web site. http://www.cde.ca.gov/. (Accessed August 2001.)

23. California Head Start Association Web site. http://www.caheadstart.org. (Accessed August 2001.)

24. Since January 2000, entrance into Stage 3 has been limited to families that have reached their 24th month of CalWORKs child care after the adult leaves cash assistance. Both diversion families and former recipient families must fully use their 24 months of "transitional" child care prior to entering Stage 3. This limitation was initiated by the governor through Budget Act language in the Fiscal Year 2000–2001 California Budget Bill. This bill states that Stage 3 is only accessible to former participants who have exhausted their 24-month time limit in Stage 1 and/or Stage 2 and families who received diversion services.

25. California Department of Education, Child Development Division, personal communication (December 2001).

26. In fiscal years 2000–01 and 1999–2000, the legislature added $80 million to general child care programs, and $100 million to State Preschool programs. As previously noted, while these amounts are not comparable to the funding for CalWORKs child care, they are still substantial increases to existing programs.

27. Senate Office of Research. 2001. *Publicly Funded Programs for Low-Income Families, An Overview of Early Education and Child Care in California*. Issue Brief. Sacramento. April.

28. Wright, Michael A., Ellen Moratti, Susan Bassein, and Steven Moss. 2001. "Child Care Fiscal Policy Analysis." The Results Group. Sacramento. May 22. http://www.otcdkids.com/SCSAChildCareReport.pdf. (Accessed August 2001.)

29. In July 2001, the California Department of Education issued emergency regulations that provided a process that substantially streamlined the transfer between Stages 1 and 2, and clarified many program requirements.

30. Wright, Michael A., Ellen Moratti, Susan Bassein, and Steven Moss. 2001. "Child Care Fiscal Policy Analysis." The Results Group. Sacramento. May 22. http://www.otcdkids.com/SCSAChildCareReport.pdf. (Accessed August 2001.)

31. The Department of Education estimates that for SFY 2001–02, the cost to continue Stage 3 care is $255 million.

32. Families referred to Child Protective Services receive the highest priority for child care subsidies, per statewide policy. Thus, child welfare families' awareness of the availability of these services may be lacking.

33. For additional information about these changes see Geen, Rob, Shelley W. Boots, and Karen Tumlin. 1999. *The Cost of Protecting Vulnerable Children: Understanding Federal, State, and Local Child Welfare Spending*. Washington, D.C.: The Urban Institute. *Assessing the New Federalism* Occasional Paper No. 20.

34. Total child welfare spending in California increased an additional 18 percent between FY 1998 and 2000. Percentage increases adjusted for inflation.

35. Zellman, Gail, Jacob A. Klerman, Elaine Reardon, Donna O. Farley, Nicole Humphrey, Tammi Chun, and Paul Steinberg. 1999. *Welfare Reform in California: State and County Implementation of CalWORKs in the First Year.* Santa Monica: RAND Corporation (RMR-1051-CDSS): 21–22. http://www.rand.org/publications/MR/MR1051.pdf (Accessed August 2001.)

36. CalWORKs income computation is as follows: Subtract $225.00 from the gross earnings, then 50 percent from the remaining balance. This balance is then subtracted from the grant amount. Example: A gross earnings of $725 minus $225 equals $500, of which 50 percent ($250) is subtracted from the maximum grant for the family.

Table 1 Notes

a. U.S. Bureau of the Census. "State Population Estimates: Annual Time Series, July 1, 1990, to July 1, 1999." http://www.census.gov/population/estimates/state/st-99-3.txt. (Accessed October 2000.)

b. U.S. Bureau of the Census. "State and County Quick Facts." http://quickfacts.census.gov/qfd/states/08000.html. (Accessed October 2000.)

c. U.S. Bureau of the Census, Population Estimates Program, Population Division. "States Ranked by Hispanic Population, July 1, 1999." http://www.census.gov/population/estimates/state/rank/hisp.txt. (Accessed October 2000.)

d. U.S. Bureau of the Census, Population Estimates Program, Population Division. "States Ranked by Black Population, July 1, 1999." http://www.census.gov/population/estimates/state/rank/black.txt. (Accessed October 2000.) National population percentages are as of July 1, 1999, from U.S. Census Bureau. "Resident Population Estimates of the United States by Sex, Race, and Hispanic Origin." http://www.census.gov/population/estimates/nation/intfile3-1.txt. (Accessed October 2000.)

e. Urban Institute estimates based on a three-year average of data in the 1997, 1998, and 1999 March Supplements to the Current Population Survey. A Joint Project Between the Bureau of Labor Statistics and the Bureau of the Census.

f. U.S. Bureau of the Census. 1999. *Statistical Abstract of the United States: 1999* (119th edition). Table 42. Washington, D.C.

g. U.S. Bureau of the Census. Population Estimates Program, Population Division. "Percent Change in Population for U.S. States: 1990 to 1999." http://www.census.gov/population/www/estimates/stmap03.html. (Accessed February 2001.)

h. U.S. National Center for Health Statistics. March 28, 2000. *National Vital Statistics Report.* Vol. 48, No. 3. Tables B, 10, and 19.

i. Urban Institute estimates based on two sources: (1) U.S. National Center for Health Statistics. April 29, 1999. *National Vital Statistics Report.* Vol. 47 No. 18. Table 10. (showing total number of births in each state and the U.S., 1997); (2) Child Trends. 1999. *CTS. Facts At A Glance.* Table 1. (showing number of births to mothers age 15–19 and percentage of teen births to unmarried mothers) Washington, D.C.: Child Trends, December.

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o. Zedlewski, Sheila. 2000. "Family Economic Well-Being." In *Snapshots of America's Families II: A View of the Nation and 13 States from the National Survey of America's Families.* Washington, D.C.: The Urban Institute. Percent change in poverty rates (1996–1998) calculated by the Labor and Social Policy Center, The Urban Institute.

p. The National Governors' Association. 2000. "The Governors, Political Affiliations, and Terms of Office 2000." http://www.nga.org/Governor/GovMasterList.htm. (Accessed February 2001.)

q. National Conference of State Legislatures. 1999. "Directory of State Legislatures, Online. Partisan Composition of State Legislatures House and Senate." D indicates Democrat; R indicates Republican; I indicates Independent; other indicates Other; and V indicates Vacant. http://www.ncsl.org. (Accessed February 2001.)

Table 2 Notes

a. U.S. Congress, House Committee on Ways and Means. 2000. *2000 Green Book*. Table 7-7: Maximum Combined AFDC/TANF Benefits for a Family of Three (Parent with Two Children), July 1994–January 2000. Washington, D.C.: U.S. Government Printing Office. January.

b. Two Urban Institute calculations: (1) Average monthly number of AFDC 1996 recipient children divided by number of children in poverty 1996: U.S. Department of Health and Human Services. Administration for Children and Families. 1997. *Characteristics and Financial Circumstances of AFDC Recipients FY 1996*. Table 18. "Percent Distribution of AFDC Recipient Children by Age (October 1995–September 1996)"; (2) Average Monthly Number of TANF 1998 Recipient Children divided by Number of Children in Poverty 1998: U.S. Department of Health and Human Services. Administration for Children and Families. 1999. *Second Annual Report to Congress August 1999*. Table 9:22. "Percent Distribution of TANF Recipient Children by Age Group (October 1997–September 1998)." The numbers of children in poverty in 1996 and 1998 are Urban Institute calculations from the National Survey of America's Families II.

c. Kenney, Genevieve, Lisa Dubay, and Jennifer Haley. 2000. "Health Insurance, Access, and Health Status of Children: Findings from the National Survey of American Families." In *Snapshots of America's Families II: A View of the Nation and 13 States from the National Survey of America's Families*. Washington, D.C.: The Urban Institute.

d. Based on three sources: (1) Urban Institute's TRIM [Transfer Income Model]; (2) Smith, Vernon K. 1999. "Enrollment Increases in State CHIP Programs: December 1998 to June 1999": Health Management Associates, July; (3) Urban Institute analysis of *1999 SCHIP [State Children's Health Insurance Program] Annual Report*. Rules for 1996 and 1998 are policies in place the majority of the year. Rules for 2000 represent plans approved as of January 1, 2000.

e. In 1996, the thresholds represent the state Medicaid thresholds for poverty-related eligibility or AFDC-related eligibility. Higher thresholds for separate state-financed programs (such as in New York) are not represented here.

f. In 1998, some states' thresholds represent Medicaid eligibility, and others are either Medicaid expansions or stand-alone programs enacted under the SCHIP legislation.

g. In 2000, all states covered at least some children through SCHIP; certain groups in some states are eligible only through Medicaid.

h. Data for 1998 are from January 1, 1998, compared with 1997 federal poverty level (FPL). Adams, Gina, Karen Schulman, and Nancy Ebb. 1998. *Locked Doors: States Struggling to Meet the Child Care Needs of Low-Income Working Families*. Table A1. Washington, D.C.: Children's Defense Fund. March. Data for 1999 are from June 1999, compared with 1999 FPL. The 1999 data are calculated using state agency information and information from Helen Blank and Nicole Oxedine Poersch. 1999. *State Developments in Child Care and Early Education*. Table 1. Washington, D.C.: Children's Defense Fund. The Urban Institute calculated 1998 and 1999 U.S. median income eligibility level as a percentage of state median income (SMI) and FPL.

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In 1996 and 1997, the Urban Institute conducted case studies in 13 states that provided a baseline for understanding changes emerging from welfare reform. This set of state updates describes changes occurring between 1996–97 and 1999–2000 based on a second set of case studies completed in 1999 and 2000. Progams covered include in income support through the Temporary Assistance for Needy Families program, employment and training supports for low-income welfare and nonwelfare families, child care, and child welfare. It also look at interactions among these programs.

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